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By



SOURCES



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1. SC begins hearing on pleas against parties offering freebies during elections - The Hindu
2. Will only decide if 2022 PMLA verdict needs relook, says SC - Indian Express
3. Bihar Cabinet approves resolution demanding special status for State - The Hindu
4. IMF, FSB, FATF to update G20 nations, others on implementing roadmap for crypto assets, says FM - Indian Express
5. Benefits of joining IPEF's trade pillar unclear: Official - Indian Express
6. Das flags model-based lending, warns banks, NBFCs of undue risk build-up - The Hindu/ RBI Governor asks banks, NBFCs to avoid all forms of exuberance - Indian Express
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Important News Articles

GS II

1. SC begins hearing on pleas against parties offering freebies during elections - The Hindu

Relevance: Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes; mechanisms, laws, institutions and Bodies constituted for the protection and betterment of these vulnerable sections.

News:

- Recently, the **Supreme Court began hearing petitions seeking a judicial declaration that irrational freebies** offered by political parties to lure voters during election time

Prelims Takeaway

- Representation of People Act.

Key Points

- Petition asks the court that freebies should be **considered a “corrupt practice”**.
- The court has made its anxiety plain about parties**, which form the government riding the wave created by their pre-election **promises of “free gifts”, bleeding the State finances dry**

US court judgement:

- There is a U.S. Supreme Court judgment which says **that public funds cannot be used to create private assets**
- The hearing signified a shifting of stand by the court from its 2013 judgment in **the S. Subramaniam Balaji versus Tamil Nadu case**.
- In this judgement, a Division Bench of the Supreme Court had held that **making promises in election manifestos do not amount to a ‘corrupt practice’ under Section 123 of the Representation of People Act**.

Freebie

- In a Reserve Bank of India report in 2022, **freebies have been defined as “a public welfare measure that is provided free of charge”**.
- It adds that **freebies are different from public/merit goods such as health and education**, expenditure on which has wider and long-term benefits.

2. Will only decide if 2022 PMLA verdict needs relook, says SC - Indian Express

Relevance: Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

News:

- The Supreme Court bench **emphasizes its role in assessing whether the matter necessitates reconsideration by a larger bench**.
 - It was in response to petitions challenging the 2022 ruling on the Prevention of Money Laundering Act (PMLA),

Prelims Takeaway

- Prevention of Money Laundering Act (PMLA),

Limited Scope

- The court clarifies that its **objective is not to decide the merits but to determine if a reevaluation by a larger bench is warranted**.

Center's Objection

- The **Centre objects to the court taking up the matter** while review petitions of the 2022 judgement are pending.

Background

- The PMLA was enacted **in 2002 and it came into force in 2005**.
- The chief objective of this legislation is to fight money laundering, **that is, the process of converting black money into white**.
- The Act enables government authorities **to confiscate property and/or assets earned from illegal sources** and through money laundering.

- Under the PMLA, **the burden of proof lies with the accused, who has to prove that the suspect property/assets** have not been obtained through proceeds of crime.

PMLA Objectives

- Preventing **money laundering**.
- Combating the **channelising of money into illegal activities** and economic crimes.
- Providing for the **confiscation of property** derived from or involved in money laundering.

3. Bihar Cabinet approves resolution demanding special status for State - The Hindu

Relevance: Structure, organization and functioning of the Executive and the Judiciary—Ministries and Departments of the Government; pressure groups and formal/informal associations and their role in the Polity.

News:

- The Chief Minister **passes a resolution in the Cabinet** urging the **grant of special category status to Bihar**.

Prelims Takeaway

- Special category status to Bihar

Key Points

Financial Requirements for State Schemes

- Approximately ₹2.50 lakh crore would be needed **to implement the State government's schemes** for the well-being of the people.
- **A five-year target is set for completing the proposed works**, with the expectation that special status would expedite the process.

Historical Context of the Demand

- The Raghuram Rajan Committee was **formed in response to the demand**, with no action taken by the then Congress government.

Caste-Based Survey and Increased Reservation:

- **Details the caste-based survey conducted in Bihar** and the subsequent increase in reservations based on social, economic, and educational status data.
- **The reservation limit is raised to 65%**, with an additional 10% for economically weaker individuals in the general category, bringing the total reservation limit to 75%.

Government Initiatives Based on Survey Data

- It Acknowledges the survey data, **revealing 94 lakh poor families in Bihar across all categories**.
- It Plans to provide up to ₹2 lakh in instalments **for employment to one member of each of these families**.
- It Increased financial support for houseless and landless families, **raising the limit for land purchase and providing funds for house construction**.

4. IMF, FSB, FATF to update G20 nations, others on implementing roadmap for crypto assets, says FM - Indian Express

Relevance: Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

News:

- Recently, the finance minister revealed that the International Monetary Fund (IMF), Financial Stability Board (FSB) and Financial Action Task Force (FATF) will **provide regular updates** to G20 member nations and others on the **progress of implementing the G20 roadmap for crypto assets**.

Prelims Takeaway

- International Monetary Fund (IMF)
- Financial Stability Board (FSB)
- Crypto Currency

Key Highlights

1. Adoption of G20 Roadmap

- The G20 has formally adopted the **roadmap for crypto assets**.
- The **Indian presidency** will collaborate with the Brazilian Presidency to **oversee the roadmap's implementation**.

2. Timeline and Updates

- **No specific timeline** for countries to implement the roadmap has been established.
- The **IMF, FSB, and FATF are mandated to provide regular updates** to the G20 on the progress of implementing the G20 roadmap.

3. Global Coordination

- Discussion emphasised the **need for effective mechanisms in all countries**, including FSB members, **to prevent loopholes in controlling crypto assets**.
- The initial phase will involve **creating a template for nations to develop their legislative frameworks**.

4. G20 Finance Track Issues

- The **five main agenda points** discussed over the year were **reiterated and welcomed by G20 members**.
- There were discussions focused on **enhancing multilateral development banks** and **exploring collaborations** in areas such as innovative finance.
- India has signed **MoUs** with seven countries for **digital public infrastructure**.
 - These include Antigua & Barbuda, Armenia, Sierra Leone, Suriname, Papua New Guinea, Tanzania and Trinidad & Tobago.
- MoUs involve **cooperation for digital solutions** and **advancing cross-border acceptance of UPI QR at merchant establishments**.
- The Prime Minister proposed a global **Social Impact Fund to spread DPI**, with India's initial contribution set at **\$25 million**.

5. IMF and FSB Policy Paper

- In September, the IMF and FSB released a policy paper **against an outright ban on crypto assets**.
- They recommended implementing a **licensing regime for crypto-asset platforms**, aligning with anti-money laundering and counter-terrorist financing standards.

GS III

5. Benefits of joining IPEF's trade pillar unclear: Official - Indian Express

Relevance: Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.

News:

- India remains sceptical about **joining the trade pillar of the Indo-Pacific Economic Framework for Prosperity (IPEF)**, citing a lack of "tangible benefits."
- The trade pillar is crucial, covering sensitive areas like **agriculture, digital trade and labour**.
- However, an **agreement was not reached** in the last round of negotiations in San Francisco.

Indo-Pacific Economic Framework for Prosperity (IPEF)

- IPEF was **launched jointly by the US** and other partner countries of the Indo-Pacific region **in 2022 in Tokyo**.
- **Members:** Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the US and Vietnam.
- Together, they **represent 40% of the world's economic output** and **28% of global trade**.

Four Pillars of the Agreement

- The framework is structured around **four pillars** relating to
 - Trade
 - Supply chains
 - Clean economy
 - Fair economy (issues such as tax and anti-corruption).
- **India** has joined all the pillars **except the trade one**.
- Unlike traditional trade deals, IPEF **does not primarily address market access** but aims to **counter China's dominance in the region**.

Prelims Takeaway

- Indo-Pacific Economic Framework for Prosperity (IPEF)
- OECD Economies
- Indo-Pacific

Challenges in Trade Pillar

- **Lack of clarity on tangible benefits** has hindered progress in the trade pillar.
- **Questions around commitments without clear benefits** have led to scepticism among member countries.

Contentious Issues

- **Sensitivity around export restrictions**, particularly on food and agriculture, poses challenges.
- Despite **agreements on three pillars**, consensus on commitments related to export restrictions is unlikely.

Indian Perspective

- India's decision to stay out of the trade pillar aligns with its strategy of **retaining regulatory autonomy**.
- Concerns about aligning with standards **primarily applied in OECD economies** pose a challenge for India in terms of **domestic rule alignment**.

6. Das flags model-based lending, warns banks, NBFCs of undue risk build-up - The Hindu/ RBI Governor asks banks, NBFCs to avoid all forms of exuberance - Indian Express

Relevance: Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.

News:

- The **Reserve Bank of India (RBI) Governor** advised banks and NBFCs to maintain **sustainable credit growth and avoid "all forms of exuberance."**
- This comes after the recent **increase in risk weights** on exposure to consumer credit, credit card receivables and NBFCs by the RBI.

Prelims Takeaway

- Non-Banking Financial Company (NBFC)
- Twin Balance Sheet
- Risk Weight

Risk Weights Increase

- The RBI **increased risk weights** on exposure to consumer credit, credit card receivables, and NBFCs **by 25%, up to 150%**.
- Expansion of the credit portfolio and pricing should **align with perceived risks**.
- **Certain sectors** like housing loans, vehicle loans and MSMEs are **excluded** from tightened measures, recognizing their **contribution to growth**.

Interconnectedness Concerns

- He emphasised close attention to the **increasing interconnectedness between banks and non-banks**.
- Banks should evaluate **exposure to NBFCs, and NBFCs' exposure to multiple banks**.

NBFC Sector Growth

- According to the **CRISIL Report**, Assets Under Management (AUM) of NBFCs is **expected to grow at 14-17% in the next fiscal**.
 - **Reason:** Continued strong credit demand across retail loan segments,
- As of September 2023, **banks' credit to the NBFC sector** registered a **YoY growth of 26.3%** at Rs 14.19 lakh crore.
- According to RBI's latest data, **bank credit grew by 20.42 percent** to Rs 155.66 lakh crore in the fortnight ended November 3.

Interest Rates and Model-Based Lending

- Concerns about certain **NBFCs-MFIs enjoying relatively higher net interest margins**.
- Calls for **transparency in interest rates** and robust testing of the **model-based lending approach** with fintech collaborations.

Indian Economic Resilience

- Highlighted the Indian economy's resilience due to **higher reliance on domestic demand**, despite the global slowdown,
- The country has moved from an era of twin deficit and twin balance sheet stress to the current period of **twin balance sheet advantage**.

7. India seeks private money for coal-fired power plants despite Western opposition - The Hindu

Relevance: Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

News:

- Power Minister holds discussions with industry stakeholders regarding the **government's target to add 80 GW of coal-fired capacity**
- Aim is to **address India's increasing power demand.**

Prelims Takeaway

- National Electricity Plan

Key Points

- The **government aims to add 80 GW of thermal power capacity by FY32** to meet the nation's power requirements.

Current Status and Future Plans

- There are **27 GW of thermal capacity under construction**, and the government initially planned to add 25 GW more.
- However, the **decision is made to commence work on at least 55-60 GW** of thermal capacity to keep up with the accelerating demand.
- National Electricity Plan Projection: The **National Electricity Plan for 2022-32 projects the requirement** for coal and lignite-based installed capacity to be 283 GW by FY32, compared to the current 214 GW.

Challenges and Opportunities for the Industry

- Despite rising demand, thermal energy remains relevant until energy **storage becomes cost-effective for round-the-clock supply** through renewables.

8. CoP28 turns attention to potent methane emissions-The Hindu

Relevance: Conservation, environmental pollution and degradation, environmental impact assessment.

News:

- Climate talks often revolve around reducing the **most dangerous greenhouse gas, carbon dioxide (CO₂)**.
- Other powerful **heat-trapping emissions, namely methane**, are also likely to be in the **crosshairs of negotiators at the crucial CoP28** meeting in Dubai next week.

Prelims Takeaway

- Methane

Key Points

- Potent but relatively **short-lived methane is a key target for countries** wanting to slash emissions quickly and slow climate change.
- That is particularly because large amounts of methane are simply **leaking into the atmosphere from fossil fuel infrastructure.**
- **Atmospheric methane (CH₄) occurs abundantly** in nature as the primary component of natural gas.
- It is the **second largest contributor to climate change**, accounting for around 16% of the warming effect.
- Methane **remains in the atmosphere for only about 10 years**, but has a much more powerful warming impact than CO₂.
- Its warming effect is **28-times greater than CO₂** over a 100-year timescale.
- **Exactly how much methane is released** in the atmosphere remains subject to **"significant uncertainty"**, according to the International Energy Agency (IEA), despite progress in the monitoring of emissions through the use of satellites.
- Scientists are also **puzzled over a steady increase of methane in the atmosphere**, with concentrations currently over two-and-a-half times greater than pre-industrial levels.
- Around **60% of methane emissions are linked to human activity**, the IEA says, while most of the remainder is from wetlands.
- **Agriculture is the biggest culprit**, responsible for roughly a quarter of emissions.
 - Most of that is from livestock (cows and sheep release methane during digestion and in their manure)

- rice cultivation, where flooded fields create ideal conditions for methane-emitting bacteria.
- **The energy sector** - coal, oil, and gas - is the second largest source of human caused methane emissions.
- **Methane leaks from energy infrastructure**, such as gas pipelines, and from deliberate releases during maintenance.
- **Discarded household waste** also releases large quantities of methane when it decomposes, if left to rot in landfills.
- A recent IEA report estimates that **rapid cuts in methane emissions** linked to the fossil fuel sector could **prevent up to 0.1 degrees Celsius of warming** by mid-century.

Way forward

- It could be achieved by **repairing leaky infrastructure** and eliminating routine flaring and venting during maintenance.
- In agriculture, it's possible **to modify animal diets by**, for example, adding a compound to improve their health.
- For rice fields, **changes to water management are the “most promising”** way to reduce emissions, according to a FAO report.



Mentorship
India

Editorials, Gists and Explainers

1. Listen to the people, not the numbers - The Hindu

Relevance: Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.

Context:

- The **Indian economy faces an income problem** rather than a growth problem.
- Incomes are not **growing sufficiently or sustainably** for very large numbers of people.
- There is an **increasing pressure for job reservations for economically weaker sections**.

Debates on Job Creation

- Economists are debating whether the government's policies have led to sufficient job creation, questioning the accuracy of economic data.
- There is a need to address the root causes of income challenges rather than just relying on historical statistics.

Comparison with the US Economy

- The US economy, despite positive headline economic numbers, faces citizen dissatisfaction.
 - Therefore, emphasizing the need to measure what matters to common citizens.
- In the US, dissatisfaction is linked to issues like fair wages and income inequality.

India's Economic Transition

- India's transition from agriculture to services, bypassing significant movement into manufacturing, has led to income challenges.
- The policymakers believed in a shortcut from agriculture to services, primarily through the growth of Information Technology services.

Nature of Jobs

- The problem lies in the nature of jobs created, with a significant portion being low-paying, temporary or lacking social security.
- The need for sustainable growth involves creating "good" jobs that provide better pay, security and opportunities for skill development.

Changing Economic Paradigm

- There is a need for a paradigm shift in economic thinking like the importance of new concepts of work and enterprise designs.
- The world is moving towards more environmentally sustainable and socially harmonious models, requiring a reevaluation of economic relationships.

Value of Caregiving

- There is a need for valuing caregiving more in the economic paradigm, with attention shifting towards genuine "social" enterprises.
- The prevailing economic theory distorts social organisations, like families, to suit corporate requirements.

Shift in Policy Making

- Policymaking needs to start with listening to those undervalued in the current economic paradigm viz. workers, small farmers, entrepreneurs and women.
- Historical statistics may not guide future policies effectively, hence, policymakers should listen to people's concerns and preferences.

2. Unheeded advice - The Hindu

Relevance: Constitution of India —historical underpinnings, evolution, features, amendments, significant provisions and basic structure.

Context:

- The ongoing Supreme Court proceedings highlight **concerns regarding the conduct of some Governors**, particularly their use of the **absence of a time-frame for granting assent to Bills**.
- The court's recent questioning of the **delay by Tamil Nadu Governor** in disposing of pending Bills has prompted a **closer examination of the constitutional framework**.

Delay in Assenting Bills

- Governors are accused of **deliberately delaying assent to Bills**, leading State governments to approach the court for redress.
- In the case of the Tamil Nadu Governor, the **court's observations question the delay in assenting to 10 Bills**.

Article 200 Scrutiny

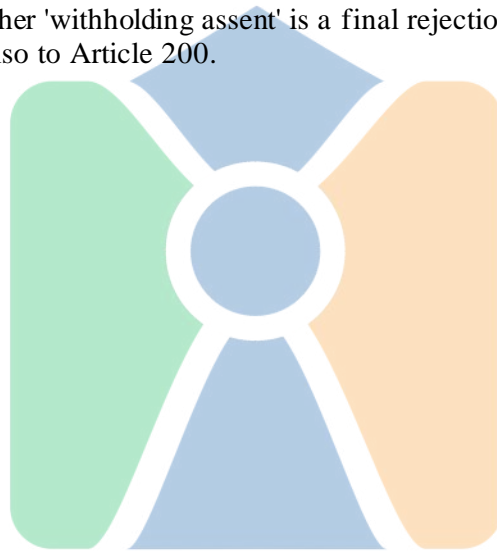
- The Supreme Court's preliminary observations suggest a **thorough examination of Article 200 of the Constitution.**
 - It deals with the presentation of Bills passed by the legislature to the Governor for assent
- The court noted that the **Governor cannot refuse assent to the re-enacted Bill.**

Constitutional Ambiguities

- The Constituent Assembly debates intended the power of granting or withholding assent to be **exercised solely on the advice of the Council of Ministers.**
- In practice, **Governors have acted independently**, leading to constitutional ambiguities.
- Constitutional ambiguities regarding the role of Governors, especially the '**aid and advice**' clause, are highlighted.
- **Provisions allowing Governor's discretion** not intended by parliamentary democracy **need reconsideration.**

Role of Supreme Court

- The Supreme Court should provide **authoritative decisions to prevent uncooperative Governors from exploiting grey areas.**
- Clarity is needed on whether 'withholding assent' is a final rejection or requires a follow-up action, as indicated in the first proviso to Article 200.



Mentorship
India

Quick Look

1. Non-Banking Financial Company (NBFC)

- An NBFC is a company registered under the Companies Act 1956 engaged in the business of loans and advances, acquisition of shares/ stocks/ bonds/ debentures/ securities issued by the Government or local authority or other marketable securities of a like nature.
- They offer various banking services but do not have a banking licence.
- They provide banking services like loans, credit facilities, TFCs, retirement planning, investing and stocking in the money market.
- Generally, these institutions are not allowed to take traditional demand deposits, such as those in checking or savings accounts - from the public.
- NBFCs also provide a wide range of monetary advice like chit-reserves and advances.
- Regulated by the Reserve Bank of India (RBI), the central bank of India.
- The RBI has the authority to issue licences to NBFCs, regulate their operations, and ensure that they adhere to the established norms and regulations.
- NBFCs lend and make investments and, hence their activities are akin to that of banks; however,
 - NBFC cannot accept demand deposits;
 - NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself;
 - Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.
 - Unlike banks, NBFCs are not subjected to stringent and substantial regulations.
- Examples of NBFCs include investment banks, mortgage lenders, money market funds, insurance companies, equipment leasing companies, infrastructure finance companies, hedge funds, private equity funds and P2P lenders.

2. Sedition Law (Section 124A IPC)

- It defines sedition as an offence committed when "any person by words, either spoken or written, or by signs, or by visible representation, or otherwise, brings or attempts to bring into hatred or contempt, or excites or attempts to excite disaffection towards the government established by law in India".
- Punishment for the Offense of Sedition
 - It is a non-bailable offence.
 - A person charged under this law is barred from a government job
 - They have to live without their passport and must appear in court at all times as and when required.
 - Punishment ranges from imprisonment up to three years to a life term, to which a fine may be added.

3. Airglow

- Airglow is the natural "glowing" of the Earth's atmosphere that happens all the time and across the whole globe.
- The phenomenon is similar to auroras, but airglow is energised by ordinary, day-to-day solar radiation.
 - Auroras are driven by high-energy particles originating from the solar wind,
- Unlike the aurora, airglow does not exhibit structures such as arcs and is emitted from the entire sky at all latitudes at all times.
- There are three types of airglows: dayglow, twilightglow and nightglow.
- Each is the result of sunlight interacting with the molecules in the atmosphere, but they have their own special way of forming.
- The most common airglow colours are green, red, and blue.
 - However, other colours also occur.

4. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

- An international agreement between governments to ensure that international trade in wild animals and plants does not threaten their survival.
- There are 184 member parties, and trade is regulated in more than 38,000 species.
- Although CITES is legally binding on the Parties, it does not take the place of national laws.
- The CITES Secretariat is administered by the United Nations Environment Programme (UNEP) and is located in Geneva, Switzerland.
- Representatives of CITES nations meet every two to three years at a Conference of the Parties (or COP) to review progress and adjust the lists of protected species, which are grouped into three categories with different levels of protection:
 - Appendix I: It includes species threatened with extinction and provides the greatest level of protection, including a prohibition on commercial trade.
 - Appendix II: It includes species that are not currently threatened with extinction but may become so without trade controls. Regulated trade is allowed if the exporting country issues a permit based on findings that the
 - Specimens were legally acquired
 - The trade will not be detrimental to the survival of the species or its role in the ecosystem.
 - Appendix III: It includes species for which a country has asked other CITES parties to help control international trade.

5. Risk Weight

- The Reserve Bank of India has raised the risk weight on consumer credit by banks and NBFCs to 125%, compared to 100% earlier.
- Every rupee lent by the bank is a cost or has an implication on its capital position.
- Risk-weighted assets: These are used to determine the minimum amount of capital a bank must hold in relation to the risk profile of its lending activities and other assets.
- The Reserve Bank of India decided in April 1992 to introduce a risk-asset ratio system for banks (including foreign banks) in India as a capital adequacy measure in line with the Capital Adequacy Norms prescribed by the Basel Committee.
- Risk weights impact borrowers indirectly and are felt through the pricing of loans.
 - Lower the risk weight, lower the rate of interest.
- The increase in risk weights by the RBI will elevate funding costs for NBFCs and impact capital requirements.

6. Ghol Fish

- It is also known as Black Spotted Croaker fish in many parts of the world,
- Ghol fish is not only considered a delicacy but is valued for its medicinal properties in many countries.
- Its bladder is among Gujarat's high-value exports.
- It has various nutrients from iodine, omega-3, DHA, EPA, iron, taurine, magnesium, fluoride, to selenium, it is loaded with rich nutrients.
- The fish is widely distributed in the Indo-Pacific region from the Persian Gulf to the Pacific Ocean.
- The levels of pollution have shifted these fishes from the shore to deep sea.

Prelims Track Question

Q1. Consider the following statements about Freebie

1. In a Reserve Bank of India report in 2022, freebies have been defined as “a public welfare measure that is provided free of charge”.
2. It adds that freebies are different from public/merit goods such as health and education, expenditure on which has wider and long-term benefits

Which of the statements given above is/are correct?

- A. Only 1
- B. Only 2
- C. Both 1 and 2
- D. Neither 1 nor 2

Q2. Consider the following statements regarding the Prevention of Money Laundering Act (PMLA):

1. It is aimed at preventing the flow of illegal funds and black money.
2. It mandates the reporting of suspicious financial transactions to the Financial Intelligence Unit-India (FIU-IND).
3. It provides for the establishment of special courts for the trial of offenses under its purview.

How many of the statements given above is/are correct?

- A. Only one
- B. Only two
- C. All three
- D. None

Q3. Consider the following statements about Bihar:

1. The state has been granted special category status, providing it with certain fiscal benefits and privileges.
2. The special category status is typically conferred by the Planning Commission of India based on specific criteria.
3. The special category status to Bihar is permanent and cannot be revoked.

How many of the statements given above is/are correct?

- A. Only one
- B. Only two
- C. All three
- D. None

Q4. Consider the following statements with reference to cryptocurrency

1. A cryptocurrency is a digital or virtual currency controlled by an institution.
2. Transactions with cryptocurrency are recorded on a public digital ledger called blockchain.
3. The International Monetary Fund (IMF) and Financial Stability Board (FSB) recommended an outright ban on crypto assets.

How many of the statements given above is/are correct?

- A. Only one
- B. Only two
- C. All three
- D. None

Q5. Consider the following

1. Trade
2. Supply chains
3. Clean economy
4. Fair economy

Which of the pillars, under Indo-Pacific Economic Framework for Prosperity (IPEF), mentioned above have been joined by India?

- A. 2 and 4 only
- B. 1, 2 and 3 only
- C. 2, 3 and 4 only
- D. All of the above

Q6. Consider the following statements regarding Risk-Weighted Asset

1. It is used to determine the minimum amount of capital a bank must hold in relation to the risk profile of its lending activities.
2. It does not impact the pricing of loans for borrowers in any way.

Which of the statements given above is/are incorrect?

- A. Only 1
- B. Only 2
- C. Both 1 and 2
- D. Neither 1 nor 2

Q7. Consider the following statements regarding the National Electricity Plan:

1. The Plan is a comprehensive policy document that outlines the strategies for the development of the electricity sector in India.
2. It is prepared by the Ministry of Power in consultation with the Central Electricity Authority (CEA).

Which of the statements given above is/are incorrect?

- A. Only 1
- B. Only 2
- C. Both 1 and 2
- D. Neither 1 nor 2

Q8. Consider the following statements regarding methane emissions:

1. It is a greenhouse gas that contributes to climate change.
2. The primary sources of its emissions include agricultural activities, such as enteric fermentation in livestock and rice cultivation.
3. It has a shorter atmospheric lifetime compared to carbon dioxide.

How many of the statements given above is/are correct?

- A. Only one
- B. Only two
- C. All three
- D. None

Q9. What does the Kuznets Curve depict?

- A. Inflation and Unemployment
- B. Income Inequality and Economic Growth
- C. Government Expenditure and Tax Revenue
- D. Unemployment and Wage rates

Q10. Consider the following statements regarding a Bill passed by the State Legislature and reserved by the Governor for the consideration of the President of India?

1. The President of India cannot direct the Governor to return a Money Bill to the State Legislature.
2. If the President of India directs the Governor to return the Bill to the State Legislature for reconsideration, it shall be reconsidered by the State Legislature within six months.

Which of the statements given above is/are incorrect?

- A. Only 1
- B. Only 2
- C. Both 1 and 2
- D. Neither 1 nor 2

Prelims Track Answer

Ans. 1 Option C is correct

Explanation

- Freebie
- In a Reserve Bank of India report in 2022, freebies have been defined as “a public welfare measure that is provided free of charge”.
- It adds that freebies are different from public/merit goods such as health and education, expenditure on which has wider and long-term benefits

Ans. 2 Option C is correct

Explanation

- PMLA is indeed aimed at preventing money laundering, which involves the process of making illegally-gained proceeds (financial crimes, corruption, etc.) appear legal. **Hence, statement 1 is correct.**
- PMLA mandates reporting entities, such as banks and financial institutions, to report suspicious transactions to the FIU-IND, which is the national agency responsible for receiving, processing, analyzing, and disseminating information relating to financial transactions suspected to be involving money laundering. **Hence, statement 2 is correct.**
- PMLA does provide for the establishment of special courts for the trial of offenses under its purview. These special courts aim to expedite the adjudication of cases related to money laundering. **Hence, statement 3 is correct.**

Ans. 3 Option A is correct

Explanation

- As of the latest available information, Bihar does not have special category status. The granting of special category status involves specific criteria and is subject to government policies. **Hence, statement 1 is incorrect.**
- Historically, special category status was conferred by the Planning Commission of India based on criteria such as hilly and difficult terrain, low population density, strategic location along borders, and economic backwardness. However, it's essential to note that the Planning Commission has been replaced by the NITI Aayog, and the criteria for special category status have evolved. **Hence, statement 2 is correct.**

- . Special category status is not permanent, and it can be subject to changes in policies and reassessment of criteria. The status is not irrevocable. **Hence, statement 3 is incorrect.**

Ans. 4 Option A is correct

Explanation

- A cryptocurrency is a digital or virtual currency that uses cryptography for security.
- It is a decentralized currency, meaning it is not controlled by any government or institution. **Hence, statement 1 is incorrect.**
- Some examples of cryptocurrencies include Bitcoin, Ethereum, and Litecoin.
- Transactions with cryptocurrency are recorded on a public digital ledger called blockchain. **Hence, statement 2 is correct.**
- This decentralization and use of cryptography make it difficult for anyone to manipulate the currency or the transactions recorded on the blockchain.
- To use cryptocurrency, individuals or businesses must first acquire a digital wallet, which is a software program that stores the user's public and private keys.
- These keys are used to send and receive cryptocurrency, and they are also used to verify transactions on the blockchain.
- Users can acquire cryptocurrency through a process called "mining" which involves using computer power to solve complex mathematical equations.
- In September, the IMF and FSB released a policy paper against an outright ban on crypto assets.
- They recommended implementing a licensing regime for crypto-asset platforms, aligning with anti-money laundering and counter-terrorist financing standards. **Hence, statement 3 is incorrect.**

Ans. 5 Option C is correct

Explanation

- Indo-Pacific Economic Framework for Prosperity (IPEF) was launched jointly by the US and other partner countries of the Indo-Pacific region in 2022 in Tokyo.
- The framework is structured around four pillars relating to Trade, Supply chains, Clean economy and Fair economy (issues such as tax and anti-corruption).
- India has joined all the pillars except the trade one. **Hence, option C is correct.**

- Unlike traditional trade deals, IPEF does not primarily address market access but aims to counter China's dominance in the region.

Ans. 6 Option B is correct

Explanation

- Every rupee lent by the bank is a cost or has an implication on its capital position.
- Risk-weighted assets are used to determine the minimum amount of capital a bank must hold in relation to the risk profile of its lending activities and other assets. **Hence, statement 1 is correct.**
- The Reserve Bank of India decided in April 1992 to introduce a risk-asset ratio system for banks (including foreign banks) in India as a capital adequacy measure in line with the Capital Adequacy Norms prescribed by the Basel Committee.
- Risk weights impact borrowers indirectly and are felt through the pricing of loans. **Hence, statement 2 is incorrect.**
 - Lower the risk weight, lower the rate of interest.
- The increase in risk weights by the RBI will elevate funding costs for NBFCs and impact capital requirements.

Ans. 7 Option D is correct

Explanation

- The National Electricity Plan is indeed a comprehensive policy document that provides a roadmap and strategies for the development of the electricity sector in India. **Hence, statement 1 is correct.**
- The National Electricity Plan is prepared by the Ministry of Power in consultation with the Central Electricity Authority (CEA), which is the statutory organization responsible for formulating plans for the development of the electricity system. **Hence, statement 2 is correct.**

Ans. 8 Option C is correct

Explanation

- Methane is indeed a potent greenhouse gas that contributes to the greenhouse effect,

leading to climate change. **Hence, statement 1 is correct.**

- Agricultural activities, including enteric fermentation in the digestive systems of ruminant animals (such as cows) and rice cultivation in flooded fields, are major sources of methane emissions. **Hence, statement 2 is correct.**
- Methane has a relatively shorter atmospheric lifetime compared to carbon dioxide. While it is more effective at trapping heat in the short term, it is eventually broken down in the atmosphere. **Hence, statement 3 is correct.**
- Methane is a significant concern due to its high warming potential, even though its atmospheric lifetime is shorter than that of carbon dioxide.

Ans.9 Option B is correct

Explanation

- The Kuznets Curve shows the relationship between economic growth and inequality.
- It is inverted U shaped meaning that initially economic growth leads to greater inequality, followed later by the reduction of inequality. **Hence, option B is correct.**

Ans. 10 Option D is correct

Explanation

- When a Bill is reserved by a Governor for the consideration of the President, the President shall declare either that he assents to the Bill or that he withholds assent.
- Where the Bill is not a Money Bill, the President may direct the Governor to return the Bill to the House. **Hence, statement 1 is correct.**
- When a Bill is so returned, the House or Houses shall reconsider it accordingly within a period of six months. **Hence, statement 2 is correct.**
- If it is again passed by the House or Houses with or without amendment, it shall be presented again to the President for his consideration.

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